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SUBJECT: WEEKLY NEPAL MEDIA REPORT FROM JUNE 29 TO JULY 6, 2004

STATE FOR NP, AC, PM

STATE FOR IN/R/MR

STATE FOR SA/INS, PM/CBM, PM/PRO

STATE FOR SA/PPD

1. POLITICAL AFFAIRS

-- PM forms 31-member cabinet: Prime Minister Sher Bahadur Deuba has expanded his three-member cabinet to 31-member cabinet by inducting 28 ministers from four political parties and civic society on Monday. (Major reports, 7/6)

-- Cabinet faces: The cabinet has 19 cabinet ministers including a deputy prime minister from the CPN-UML, the major coalition partner, five from Nepali Congress (Democratic), two from Rastriya Prajatantra Party (RPP) one from Nepal Sadbhawana Party (NSP). The cabinet has two royal representatives. Under royal recommendation, former National Assembly (NA) Chairman Dr Mohammad Mohsin and former king-appointed NA member, Krishna Lal Thakali, have been appointed cabinet ministers. Former DPM Badri Prasad Mandal has taken charge of the Ministry of Forest and Soil Conservation". (The Kathmandu Post, 7/6)

-- Dissatisfaction in parties over cabinet: "... Nobody is inspired by the faces in the newly formed 31-member cabinet. Those who have been inducted into the cabinet have also failed to gather confidence of their party colleagues. There are divisions within the CPN-UML regarding the names of the ministers. The party has sent inexperienced and brash people to the cabinet. The workers of ruling Nepali Congress (Democratic) are also unhappy over the selection. The king's faithful are also unhappy over the king's nominations..." (Pro-UML "Drishti," V/W, 7/6)

-- RPP and NSP in trouble: "... President of Rashtriya Prajatantra Party (RPP) Pashupati SJB Rana has been accused of sending names to please the palace. RPP spokesperson Roshan Karki accused Rana of 'striking a deal' with the PM. She said that Rana wanted his party man to get the portfolio of minister for water resources for which he nominated PM Deuba's mother-in-law Pratibha Rana for the post of ministership from RPP... Likewise Nepal Sadbhawana Party's Badri Prasad Mandal, who has already become DPM, nominated himself for minister's post. NSP partyworkers have strongly condemned his move calling it an insult to 'Madhesis' (people from the southern plains)..." (Kantipur, V/D, 7/6)

-- RPP to split: A faction of the Rashtriya Prajatantra Party (RPP) led by former Prime Minister Surya Bahadur Thapa has decided to launch a new political party. (www.neoalnews.com, 7/6)

-- Giriya met Maoist leaders: It is said that Nepali Congress President Giriya Prasad Koirala met Maoist leaders Prachanda and Dr. Baburam Bhattarai in New Delhi on Thursday morning in presence of an Indian leader. According to his family source, Dr. Shekhar Koirala was also present in the meeting. Koirala is trying to go to power with the Maoists' support. (Pro-Deuba "Tarun," V/W, 7/5) ". However, upon his return Koirala denied meeting any Maoist leader". (Major reports, 7/6)

-- Govt. and partners unveil CMP: After hectic parleys for a long time, the four political parties led by PM Deuba's Nepali Congress (Democratic) announced a common minimum program (CMP) with a vow to restore peace in the country. The 43-point CMP divided into four parts primarily stresses the need to resolve the Maoist problem and hold general elections at the earliest with consensus among all political forces. (Major reports, 7/1)

-- Govt forms panel to probe on disappearance cases: The Home Ministry Thursday formed a five-member committee to probe into the status of individuals who

have gone missing after being arrested by the security forces in different times. (Media reports, 7/2)

12. MAOIST INSURGENCY

-- 13 killed in ambush: A dozen policemen and a civilian were killed when Maoists detonated a powerful landmine blowing up the pick-up they were travelling in, at Bahuarwa Bhatha VDC, along Padam road, 10 kms west of Birgunj, early this morning. (Major reports, 7/6)

-- Defense ministry demands additional 30b rupees: In addition to the already earmarked defense budget of around Rs. 7.5 billion for the upcoming fiscal year, the Ministry of Defense has asked the Ministry of Finance to allocate Rs. 3.10 billion more. The security budget has been soaring all along since the Maoist rebels took arms in 1996. Since then the total security budget has increased by 300 per cent. (The Kathmandu Post, 7/2)

-- Maoists gun down Pokhara mayor: A group of Maoists on Friday shot dead Mayor of Pokhara Harka Bahadur Gurug and seriously injured his bodyguard and car driver. He is the second mayor to be assassinated by the rebels. Local Maoists have claimed the responsibility. (Media reports, 7/2)

-- Maoists ready for UN-mediated talks: Chairman of the Communist Party of Nepal (Maoist) Prachanda Thursday said his party will take up "more violent means" if the government goes on refusing the United Nations to "facilitate" peace negotiations in Nepal. He also said that the Deuba government does not have the power to find a peaceful and progressive political way out of the current crisis as it is a "continuation of the old regime." The Maoist leader even accused the CPN-UML leadership for betraying the people's democratic aspirations by taking decisions that amounted to "conspiracy" and backing "regression." "The CPN-UML leadership has fallen in status and become a slave of autocracy. The Nepali people will never forget this process of conspiracy and betrayal," the statement stated. (Major reports, 7/2)

-- 10 Maoists, 1 security man killed: At least ten Maoists and a security man were killed in two separate incidents in Kaski Arghakhanchi district Wednesday. (Media reports, 7/1)

13. NEPAL-U.S.

-- U.S. envoy James F. Moriarty arrives: The newly appointed ambassador of United States of America to Nepal James Francis Moriarty arrived here on Monday. The U.S. envoy Moriarty was received at the Tribhuvan International Airport by ADC of King Gyanendra and Deputy Chief of Protocol. (National News Agency report in leading dailies, 7/6)

-- U.S. couple launches drive to bring adopted daughter from Nepal: "Joe Parisi and Erin Thornley went to Kathmandu, Nepal, on June 28, 2003, to meet their newly adopted daughter, Tsewang. They were excited about bringing their first child home to America. A year later, Tsewang is still in Nepal, victim of a belligerent bureaucracy at the U.S. consular office in the American Embassy in Kathmandu. The office is run by officials who adamantly refuse to grant a visa to the legally adopted 5-year-old and won't listen to pleas from the parents or even from lawmakers, including U.S. Rep. Tammy Baldwin, Democrat-Madison..." (The Kathmandu Post, 7/3)

-- U.S. provides fund for temple renovation: The U.S. embassy announced a grant of over two million rupees for the restoration of Kageshwor Mahadev temple, situated at Kathmandu Durbar Square. A press release issued by the U.S. embassy stated, "The fund has been awarded to the Kathmandu Valley Preservation Trust (KVPT) for the restoration of Kageswar Mahadev temple from the 2004 Ambassador's Fund for Cultural Preservation (AFCP) program." Nepal is one among the 41 countries that has been awarded the grant out of 121 eligible countries. (Major dailies, 7/1)

BOGUE